

**Testimony by
Carl Munson
Before the
Farm Credit Administration Public Meeting on
Enhancing Farm Credit System Service to
Young, Beginning, and Small Farmers and Ranchers
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Kansas City, Missouri**

Hello, I'm Carl Munson. I'm speaking on behalf of AgStar Financial Services and the Young, Beginning and Small (or YBS) farmers in our area. Thanks for the opportunity to address the FCA Board on this important issue. My wife Linda and I raise corn and soybeans in southwest Minnesota. I've been an AgStar Director for 7 years and currently serve on our YBS Committee. The YBS area is near and dear to my heart. Some years ago my son decided against pursuing a career in farming. I am deeply concerned about our country's ability to attract and retain our next generation of family farmers.

AgStar will submit written comments to the questions posed by the FCA concerning YBS Policy. Over the past several years, we've taken steps to improve our YBS documentation and reporting. More importantly, AgStar has continually developed measures to strengthen our YBS programming. AgStar targets and actively serves this vital segment. We believe we have more to offer YBS farmers than other financial institutions in our marketing area. Half of all the loans on our books have been made to YBS farmers. AgStar is committed to being a leading lender to Young, Beginning and Small farmers.

A major issue facing Young or Beginning farmers is establishing credit worthiness. That's why AgStar developed a Starter Loan Program, which includes relaxed underwriting standards and a streamlined approval process. We have also set aside a substantial risk pool to ensure that we have the capacity to serve this market well into the future. AgStar actively participates in programs with agencies such as the FSA and RFA, many of which include loan guarantees.

Another big hurdle for Young, Beginning farmers is lack of capital. AgStar viewed leasing as a means to modernize equipment and facilities for those farmers with limited capital. We are a leading association in Leasing regionally and nationally. It's been a great tool - helping to improve efficiency while preserving precious capital.

A third key element to our program is outreach. AgStar provides a great deal of educational opportunities to YBS farmers. I am proud to tell you that I also help direct the recently established AgStar Fund for Rural America. A major reason this company-giving program was established was to allow us to be able to fund a variety of programs targeted at current and future YBS farmers.

AgStar supports the GAO findings and is confident that the FCA will devise guidelines, measurements and reporting policies that will ensure adequate performance in the fulfillment of our mission to YBS farmers. However, we strongly encourage FCA to go beyond the collection and publication of empirical data. We implore you to do all within your authorities to enable associations to better serve the needs of this key segment.

Before I address some specific areas that we feel need FCA attention, I want to briefly review what our research with Young and Beginning farmers has told us. These energetic farmers:

- ...want to farm full time but must work off-farm to pay the bills and secure health insurance

- ...realize that they won't make it growing a commodity without very solid production and marketing skills

- ...admit that they should rely on financial analysis more when making decisions

- ...don't always have a comprehensive risk management plan

- ...want to work with a financial services provider who understand their operation and overall situation

- ...believe their access to financing is drying up in rural communities

- ...don't necessarily believe subsidized interest rates are important to their success

- ...appreciate the fact that we take the time to ask them what they need

FCA should not make guidelines and policies on measurement and reporting the end-all of this effort. We feel that qualitative assessments are as important as quantitative documentation in this area. AgStar feels that more emphasis should be placed on proactive steps to allow us to serve YBS farmers better:

First, we need expanded authorities in the offering of credit for non-ag purposes. Many YBS farmers work off-farm, self-employed in businesses they operate around their farming schedules. This group should have access to all the products and services we provide to full-time farmers. They should have access to the same whole package financing as full-time farmers. The regulation that is in place prohibiting this is in direct conflict with published policy. We ask that the FCA take a fast-track approach and streamline the regulatory burdens to get this approved.

Second, speed up the feasibility and business planning review process required for the development of new products or services targeted at YBS farmers. This would allow us to deliver a comprehensive package that may include an operating loan, grain marketing services, crop insurance and tax services. The current review and approval process discourages innovation because of the high out-of-pocket and soft costs incurred to provide the required documentation. The FCA should adopt different standards for adding services to YBS farmers to the approved Related Services list. Because of the need to offer services at a reduced cost to YBS farmers, System institutions may not be able to satisfy the feasibility requirements currently imposed by the regulation.

Third, expedite the development of regulations on Investments in Rural America. One area that could directly impact YBS farmers, as well as other farmers and rural residents, is the delivery of high-speed Internet access. This simply isn't available or affordable in all areas and it's putting YBS farmers at a disadvantage in today's fast-paced marketplace. System institutions should have the authority to invest in companies that can deliver the latest in technology to farmers and rural communities.

I again want to thank the FCA Board for the opportunity to provide our thoughts on this vital mission for the system and the future of agriculture in our country. Do all that you can to allow associations to maximize the operational focus provided to YBS farmers. Limit the regulatory and auditing burden in this area - don't make this the great paper chase. And most importantly, please pro-actively and aggressively explore all opportunities that will allow System institutions to better serve the needs of Young, Beginning and Small Farmers throughout the U.S. Thank for your time and consideration.